

THE WHITE HOUSE

Office of the Press Secretary

PRESS BRIEFING
BY
LARRY SPEAKES

The Briefing Room
July 22, 1981

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It seems quite lengthy and I'll see if there's any further comment on it.

Q Well, I mean, you mean you'll see if there are any further comments. Is it true?

MR. SPEAKES: I don't know. I don't even know what the allegations are in the story, Sam, not having read it.

Q Will you get back to us on that? Is that it?

MR. SPEAKES: I will.

Q Larry, did the President call and thank Bob Michel, House Minority Leader, for the wonderful battle he put up for him on the \$122 per month -- because Michel did speak and it was a tremendous battle on the Hill. The speech he made in behalf of the President and the administration and there were only 13 Republicans voted for it.

MR. SPEAKES: Jessie, I don't know. I don't think he's had an opportunity to call him but I know he is appreciative of Congressman Michel's ongoing efforts there.

Q Is the White House stonewalling on this investigation on Casey? Moynihan says you're not cooperating.

MR. SPEAKES: Did Moynihan say that today or yesterday?

Q Yesterday.

MR. SPEAKES: He said it before he got his letter here yesterday. He went storming on the floor of the House and made this speech and --

Q He's a Senator.

MR. SPEAKES: Senate.

Q But he does have privilege of the floor of the House. You're right.

MR. SPEAKES: That's true. (Laughter.)

Q Not often exercised.

MR. SPEAKES: This morning there were representatives of the White House at the Justice Department meeting with members of the committee staff and we are certainly being fully cooperative and giving them any documents they ask for that are consistent with the Privacy Act.

Q What do you mean "consistent with the Privacy Act"?

MR. SPEAKES: I think you could probably go to Justice and get more detail. I would assume that documents that are permitted -- that their privacy's not protected under that Act, that we'll be glad to turn over.

Q Congress has claimed a right to documents it needs and what it says its legitimate power to investigate. And, as you know, the past record suggests that they even ask for subpoenas sometimes. Why are you claiming that the Privacy Act would prevent a full investigation of Mr. Casey's dealings?

MR. SPEAKES: I didn't say that. You've escalated my comment there about 10 jumps here between comment and question.

Q Yes, but you've given yourself a little out there when you say "consistent with the Privacy Act".

Q What does the Privacy Act cover? What kind of things --

MR. SPEAKES: Lesley, I don't know. I think it best to go to Justice and ask them if there are any problems. I certainly would not read anything into that, that we are attempting to withhold any documents. I can assure you there's a spirit of --

Q Who was there from the White House?

MORE

#135-7/22

MR. SPEAKES: -- full cooperation. A representative of the Counsel's office, not Mr. Fielding who was involved here otherwise this morning.

Q Would there be any bar on the committee getting the FBI report?

MR. SPEAKES: I don't think so. I don't think there's any bar on that.

Q Why else was it important enough to command Fielding's attention?

Q This tax function?

MR. SPEAKES: Mort Allin calls to my attention, the liberal use of the words in reference to Weinberger on "torpedoing" and then Rodgers' on "liability". Neither of these terms were used by Weinberger and my responses should not be seen in connection with their characterization. So, don't write your stories with those two words in it.

Q Well, what are you saying that he said?

MR. SPEAKES: You can read -- just what he said. It was on the public air waves and UPI's carried a very full story on it -- AP also.

Q Let the record show that I didn't say Weinberger said that. I just said -- do you think that Israel could become a liability?

MR. SPEAKES: Sometimes questions creep their way into news stories and I think that was what Mort was trying to caution --

Q I came in late, so I don't know how much ground is already covered on this. I just came from State.

MR. SPEAKES: Sam can review it.

Q What my point here is, that in reference to the remarks made by Judge Clark and Secretary Weinberger, where does the White House stand in regard to them -- does it approve of them, reject them? Do they consider them off-base? Are they correct? How does the White House stand on it?

MR. SPEAKES: None of the above. (Laughter.) Joe, I have attempted to state in my own words that Israel remains a close ally of the United States and we're hopeful that they and others will end their current conflict and proceed with the peace process and a cease-fire is what's urgently needed there. I did not accept any questions on Judge Clark since I do not know what he said and have not had an accurate report on it. Secretary Weinberger spoke on television and certainly, Secretary Weinberger is an administration official.

Q Was he speaking for the administration or was he speaking as the Secretary of Defense?

MR. SPEAKES: No, he certainly represents a viewpoint for the administration.

Q "A" viewpoint, or "the" viewpoint?

MR. SPEAKES: Certainly "the" viewpoint, but Secretary Haig represents "A" viewpoint.

White House Press Briefing
23 July 1981

Q Can I change the subject? Does the President still fully, 100 per cent endorse William Casey as head of the CIA?

MR. SPEAKES: We've said all along, yes.

Q No change at all?

MR. SPEAKES: No.

Q How about O'Connor's nomination?

MR. SPEAKES: O'Connor's nomination is still in the final phases of completing the FBI check, and has not gone forward.

Q When is the President going to introduce his immigration policy?

MR. SPEAKES: I gave guidance yesterday that it would probably be tomorrow from the Justice Department, but I have not talked to Justice to see if that's their plan.

Q Larry, can you clear up when his speech will be on taxes and Social Security? That will be one speech?

MR. SPEAKES: No, no, no. Let's be very careful with that.

Q Well, what is it going to be? Two speeches?

MR. SPEAKES: It was not said that there was going to be a speech, Helen. You know, I said --

Q You said he would go on the air.

MR. SPEAKES: Willing to. Is everybody clear on that? I don't want to go out of here with any --

Q What is it?

Q Is he thinking of two speeches or one?

MR. SPEAKES: Let me backtrack and be sure, now. Are you ready, everybody ready?

The President certainly retains, as a lively option, the idea of making a speech sometime next week on taxes. He could, as an option, include Social Security in it, make one on both subjects, or one on either subject. But it was asked -- the question came to me in the context of the President said he's willing to do anything, go any place, to get his tax bill passed. And one of those things that he's willing to do is go on television.

Q Go on the air.

Q Would this be before or after Atlanta?

MR. SPEAKES: I would judge it to be -- when is Atlanta? Wednesday?

Q Today, week.

MR. SPEAKES: I think it would be earlier rather than later.

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FOR PUBLIC AFFAIRS STAFF

PROGRAM CBS Evening News

STATION WDVM TV
CBS Network

DATE July 22, 1981 7:00 PM CITY Washington, DC

SUBJECT Denial of Casey Resignation

DAN RATHER: CIA Director William Casey tonight is busily denying widespread Washington reports that he has submitted his resignation. CBS News has learned that Casey told at least one senator this afternoon, somebody is trying to force me out by circulating rumors, and I'm not going to let them. I am staying.

A White House aide flatly denied that Casey has submitted a resignation. Casey himself denied it to CBS News. However, the Reagan Administration is showing signs of nervousness about the Senate Intelligence Committee inquiry into Casey's business dealings.

Robert Shackne has more about that.

ROBERT SHACKNE: There's considerable concern in the White House that some of the background information being examined by Senate Intelligence Committee lawyers could be publicly embarrassing to CIA Director William Casey. Part of that information is reported to deal with the way that case, as Chairman of the Securities and Exchange Commission, handled a 1972 investigation into the affairs of security swindler Robert Vesco.

According to testimony during the 1974 trial of Nixon cabinet members John Mitchell and Maurice Stans, a confidential SEC memorandum about Vesco, prepared for Casey, ended up in the possession of both Mitchell and Vesco.

It would have been illegal for Casey to pass such a document on to Vesco or Mitchell. But in later testimony during the trial, Casey said he could not recall ever seeing such a memorandum, and Mitchell denied ever getting a copy.

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VILLAGE VOICE
22-28 JULY 1981

PRESS CLIPS

By Alexander Cockburn

Most Dangerous Man

The *Newsweek* cover story on Q'addafi ("Most dangerous man in the world") was still lying on my desk when *The New York Times* for Saturday landed next to it, with news of the Israeli bombing of western Beirut, with slaughter now conservatively estimated at 300. Why is Q'addafi more dangerous than Begin? Q'addafi apparently has to rely on seedy operators clustered around the CIA, to procure certain weapons of destruction, whereas Begin gets them in an above-board fashion from the US Government. (Always excepting those F-16s, which will have to be trundled back into the US depot for a tactful period.)

If Q'addafi had dispatched some planes to the capital city of another country and ordered them to drop bombs on a crowded quarter, claiming that they were aiming at one or two specific buildings, he would quite rightly be denounced as an insane murderer.

Begin claimed just the same thing and was the target of some vague editorial rumblings in *The New York Times* and other newspapers—far less fierce than the abuse which followed the raid on Iraq's nuclear installation.

By Monday, William Claiborne—*The Washington Post's* excellent correspondent in Israel—was reporting Major General Yehoshua Saguy, the Israeli Army's chief of military intelligence as saying "that a motive of Israel's massive bombing raids Friday in densely populated quarters of Beirut was to attempt to generate Lebanese civilian resentment against the presence of Palestinian guerrillas there. I would say at least they have something to think about now . . . Saguy said."

I rather imagine the residents of west Beirut, dragging the dead and wounded from those apartment blocks, have got something to think about. They may even be asking themselves when the last terror bombing of a city center occurred. The US over Quang Tri, the British over Port Said?

Begin and his commanders must be feeling well satisfied all the same. It is evident that the inhabitants of any city on which bombs are being dropped will ask how they can avert such horror, and so the tactic may indeed work. The Arab states have foregone even the normal rituals of denunciation. Haig refuses to "link" the bombing with the temporary retention in the US of the F-16s.

The fact remains that hundreds of innocent people have been murdered in the interests of state terrorism, as baldly stated by Saguy. It is reasonable to ask whether the bombers had the slightest intention of aiming at the PLO buildings, or whether indiscriminate slaughter had been the plan from the start. The Israelis call the PLO shelling of the northern settlements indiscriminate slaughter—

and revile the actions of these savages. But if words like savage are being thrown around, where does that leave the Israelis, as they blast away with their bombers and gunboats and as they deliberately destroy the economy of southern Lebanon?

Agents and Patients

In the course of an editorial on Monday attacking prospective legislation in Congress that renders it perilous to name CIA agents, *The Washington Post* carefully stressed its low esteem for the likes of Louis Wolf, "who has made a career of combing public records with an eye to disclosing agents' names and forcing the CIA to close down its covert activities."

In suitable turtle-soup prose the *Post* said solemnly: "We are not saying that the Louis Wolfs are harmless. They are contemptible, and they can do harm. But what they would surely consider their greatest victory would be to induce a free society to abridge some of its most important liberties in their name. The Louis Wolfs do not want merely to embarrass the CIA. Though they work with a pen rather than a gun, they are terrorists in spirit, and their true purpose is to destroy democracy."

By what logic does the ambition to force the CIA to conclude covert activities become the ambition to destroy democracy? Does *The Washington Post* equate covert operations and democracy? Is it not as reasonable to argue that covert operations inevitably negate democracy?

The truth is of course that the *Post* and papers like it believe that whereas they have the moral fibre and patriotism requisite to justify the occasional disclosure of a CIA agent's name, the same confidence cannot be extended to outcasts such as those at the *Covert Action Information Bulletin*. Hence the edge of hysteria in the use of the phrase "terrorists in spirit."

But why should we trust Bob Woodward, rather than Louis Wolf? Woodward exposes the malfeasances of the wretched Hugel, now ejected as chief of CIA covert operations, and is no doubt conceived of as having done the polity a good turn. Some more decorous type makes over and gets on with the business of sustaining juntas in Latin America and the like. The *Post's* bottom line is that it likes the CIA and approves of what it is doing. Wolf doesn't. But that doesn't make him a terrorist.

I wonder how long William Casey will last as CIA director. Investigators might inspect his zeal as SEC chief in dealing with the Sterling Homex scandal, when Merrill Lynch, of which present treasury secretary Don Regan was boss, was accused of screwing the little guy in favor of its larger clients. Casey backed Regan for Treasury Secretary, when Walter Wriston seemed to have the inside track. The situation is somewhat complicated by the presence of Stanley Sporkin, former SEC enforcement chief, as general counsel at Casey's CIA. So many foxes, so many gamekeepers.

Joseph C. Harsch

Credentials for the CIA

The Senate Intelligence Committee is investigating the past financial dealings of CIA director William J. Casey. The White House says the President retains "full confidence" in Mr. Casey, but White House aides indicate that this "full confidence" could diminish if the investigation turns up anything serious or unpleasant.

Thus, Mr. Casey's tenure at CIA depends in part on whether there is anything more than is already known about his role in the promotion of business stock issues which proved to be less sound than the advertising implied.

But even if Mr. Casey himself comes through the Senate committee investigation unscathed, two questions have emerged out of recent events at the CIA which could and perhaps should weigh more heavily than Mr. Casey's financial record.

The first question is about Mr. Casey's own judgment.

He insisted on picking as his deputy in charge of CIA "operations" a personal political associate who had no experience in intelligence work. Max Hugel. The selection was strongly opposed within the professional intelligence community and in the White House staff. Mr. Casey was allowed to have his way because he had managed the President's political campaign brilliantly and successfully. It is difficult for any president to say no to his successful campaign manager.

Events since the selection have justified the doubts which had been raised. CIA insiders say that the Hugel performance in charge of the secret and clandestine side of the CIA has been a professional disaster. They say his ignorance of the spy business has alarmed friendly and allied intelligence agencies, thus reducing the normal flow of information to the United States from the resources of other countries. They say that the professionals under him have been demoralized by his ignorance of the business.

The above has come out in the wake of the resignation of Mr. Hugel, brought by newspaper exposure of questionable business dealings. The White House is claiming credit for having allowed Mr. Hugel to resign on the sixth day after the exposure. Intelligence professionals say he should have been fired at once.

So Mr. Hugel is gone from a job for which he was obviously not suited. He has been replaced by a 48-year-old CIA veteran, John H. Stein. Mr. Stein was the person the professionals in the operations directorate of CIA had wanted in the first place. Morale is reported enormously improved since Mr. Stein replaced Mr. Hugel. A question mark is left hanging over Mr. Casey's ability to select subordinates.

More importantly, there is a question left over whether a politician should ever have been put in charge of the CIA.

Historically, American political campaign managers were sent to run the Post Office Department. The classic case was James A. Farley, one of the greatest of them all, who incidentally was an excellent postmaster general — until he broke with Franklin Delano Roosevelt over the third-term issue and retired from government.

There is one argument for putting a politician in that most sensitive of roles in government in Washington. A man with Mr. Casey's record as a successful politician has easy access to the White House. He can take CIA material there and get quicker and more careful consideration for it than could a professional intelligence officer without political credentials.

The purpose of having a Central Intelligence Agency is to provide the president with the best and most objective information and appraisal possible for his foreign policy decisions. Politics will enter into those decisions at the White House, of course. But there is no reason for a CIA to exist unless it can come up with sound nonpolitical material — and get it to the president.

If the man who runs the CIA is himself political and is thinking about what is good for the president on the domestic political stage the president is not certain to get pure and unadulterated intelligence material. His foreign policy decisions may be unduly influenced by politics.

An experience of Mr. Casey's predecessor, Adm. Stansfield Turner, illustrates the point.

When the Shah of Iran was toppled from his throne, the US lost a monitoring system on Iran's northern border. Did that loss reduce dangerously US ability to monitor Soviet observance of limits on their numbers and types of strategic nuclear weapons?

Admiral Turner was put under pressure from the White House to tell the Congress that he had alternate and just as good sources. He refused until he was sure it was a fact. (We have just learned recently that he got the Chinese to let him put up new monitoring stations in China on the Soviet frontier). His original refusal angered some of the political figures at the White House who declared that the admiral would certainly not be reappointed if Mr. Carter had a second term as President.

The admiral stood his ground under such pressure. Would a politician stand his ground as firmly under similar pressure?

In theory the ideal CIA director would be both an incorruptible professional intelligence officer and a politician. Such men are few and far between. If a choice has to be made it should be on the side of the incorruptible professional.

Guessing in the intelligence community in the wake of the Hugel affair is that the White House will find a more suitable outlet for Mr. Casey's political skills and let the CIA be run by its present deputy director, Adm. Bobby R. Inman, who has the enthusiastic support of the entire intelligence community in Washington.

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NEW YORK TIMES
22 JULY 1931

Moynihan Asks Faster Action on Casey Files

By TERENCE H. SMITH
Special to The New York Times

WASHINGTON, July 21 — Senator Daniel Patrick Moynihan charged today that the White House and the Justice Department had ignored the Senate Intelligence Committee's repeated requests for confidential files relating to the business dealings of the Director of Central Intelligence, William J. Casey.

"For the past two days we have been urgently trying to find out whether the Director of the C.I.A. has been involved in illegal activities that would make him unfit to hold his office," the New York Democrat shouted, waving his arms for emphasis at a hearing by the Intelligence Committee.

The panel is examining whether Mr. Casey was involved in questionable stock market practices in the late 1960's. Today it sent a letter to the White House and the Justice Department asking for all material and relevant documents from an F.B.I. background check of Mr. Casey. The letter was signed by Mr. Moynihan, the committee's ranking minority member, and the committee chairman, Senator Barry Goldwater, Republican of Arizona.

But at this morning's hearing, Mr. Moynihan said: "We've called the White House and we've called the White House and we've called the White House. I've called the Attorney General and he doesn't answer. Maybe he doesn't know who I am, or maybe he doesn't know what goes on up here or think that it matters."

"Well, it does matter, and if they are going to cover up, they are going to lose themselves a Director of the C.I.A.," Mr. Moynihan said, his face flushed.

A Justice Department spokesman later denied a cover-up and said Senator Moynihan's assertion that the Department was not cooperating with the investigation was "just blatantly wrong." And at the White House, Fred F. Field-

ing, the counsel, said that the committee would be given access to the background materials on Mr. Casey tomorrow.

An examination of Senate records and court records in New York shows that Mr. Casey did not disclose on forms completed for the Senate Intelligence Committee in January that he was a defendant in two related lawsuits that involved the sale of a mutual fund, Fund of America. Mr. Casey was a director of the fund from 1969 to 1971. Both suits were settled out of court in 1979.

The Senate disclosure form completed last January by Mr. Casey as part of his confirmation process called for him to list "any legal actions in the last five years in which you have been a plaintiff, defendant or witness." On that form, he did disclose his involvement in several other cases still pending or settled in the last five years.

Last week, after the resignation of Mr. Casey's top deputy, Max C. Hugel, it was disclosed that a Federal District Court ruling had named Mr. Casey as one who had "omitted and misrepresented facts" to investors in Multiponics Inc., a firm in which he was a principal. On Friday the Senate Intelligence Committee announced it would conduct a staff investigation of the matter to determine whether Mr. Casey should resign from the C.I.A.

On Friday afternoon, Mr. Moynihan said, the staff began phoning the White House and the Justice Department to obtain a report of the Federal Bureau of Investigation's background check of Mr. Casey, as well as other relevant documents. "They didn't answer our calls," the Senator said.

The formal letter from the committee was delivered to the White House and Justice Department this morning. Karna Small, a White House spokesman, said the letter was received at 11:40 A.M., about an hour after Mr. Moynihan spoke at the hearing.

Thomas P. Cair, a Justice Department spokesman, said that the first written request from the Intelligence Committee had been received by the department this morning. "There's no question but that we intend to cooperate fully," he said. "We have no intention of covering up anything."

Senator Goldwater, who last week said he thought Mr. Casey should resign but later said he had changed his mind, reportedly has been telling colleagues in private that he believes it would be best for Mr. Casey to step down. Speaking with reporters today, however, he said that he believed that Mr. Casey "will remain unless we find further allegations against him in the course of the investigation."

Mr. Goldwater said the committee was looking into both "published and

unpublished" allegations but declined to say what unpublished charges were involved.

Lawsuits Filed in New York

The two lawsuits naming Mr. Casey as a defendant were filed by two separate Fund of America shareholders in 1971 in Federal court in Brooklyn and New York. The suits, which were consolidated in 1973 and settled out of court in 1979, according to court records, also named more than a dozen other individuals and companies associated with the fund.

Mr. Casey's involvement in the cases was minimal. In the New York case he was never officially served with the original complaint, though he was officially notified in the Brooklyn suit. Mr. Casey never testified in the case nor did he make any contribution to the monetary settlement completed in 1979.

The Fund of America and various affiliates were sold in 1969 by Bernard Cornfeld's Investors Overseas Services to Equity Funding Corporation of America, a financial conglomerate that subsequently collapsed after involvement in one of the nation's largest financial scandals.

After the sale of the mutual funds, Mr. Casey and others were chosen by Equity Funding officials to become directors of the fund. The lawsuits charged that there had been violations of the Investment Company Act of 1940, arising out of "kickback arrangements" and other improper payments in the 1969 sale that deprived Fund of America stockholders.

The lawsuits said the fund's new directors, including Mr. Casey, should have sued to recover the payments.

At today's Intelligence Committee hearing, several of the nation's intelligence chiefs, including Mr. Casey's deputy, Adm. Bobby Ray Inman, appealed to Congress to exempt the C.I.A. from the Freedom of Information Act on the grounds that it risked inadvertent disclosure of national secrets.

Admiral Inman said that the life of an agent had been endangered in one case and that in other instances confidential material supplied by foreign governments had been disclosed. The exemption was opposed by historians and by spokesmen for the American Newspaper Publishers Association and for the Sigma Delta Chi, the Society of Professional Journalists. They contended that the intelligence agencies have sufficient protection against inadvertent disclosure under the existing law.